

**Tennessee Advisory Commission on
Intergovernmental Relations**

June 2004

Arthur A. Hayes, Jr., CPA, JD, CFE
Director

Charles K. Bridges, CPA
Assistant Director

Ronald E. Anderson, CPA
Audit Manager

Dean Smithwick
In-Charge Auditor

Shanta Wilson, CFE
Staff Auditor

Amy Brack
Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 401-7897

Financial/compliance audits of state departments and agencies are available on-line at
www.comptroller.state.tn.us/sa/reports/index.html.
For more information about the Comptroller of the Treasury, please visit our Web site at
www.comptroller.state.tn.us.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

June 22, 2004

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

Dr. Harry A. Green, Executive Director
Tennessee Advisory Commission on Intergovernmental Relations
226 Capitol Boulevard Building, Suite 508
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Advisory Commission on Intergovernmental Relations for the period July 1, 2001, through April 9, 2004.

The review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/mb
04/073



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 401-7897
FAX (615) 532-2765**

April 9, 2004

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Tennessee Advisory Commission on Intergovernmental Relations for the period July 1, 2001, through April 9, 2004.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of internal control significant to the audit objectives and that we design the audit to provide reasonable assurance of the Tennessee Advisory Commission on Intergovernmental Relations' compliance with laws, regulations, and provisions of contracts or grant agreements significant to the audit objectives. Management of the Tennessee Advisory Commission on Intergovernmental Relations is responsible for establishing and maintaining effective internal control and for complying with applicable laws, regulations, and provisions of contracts and grant agreements.

Our audit resulted in no audit findings.

Sincerely,

Arthur A. Hayes, Jr., CPA,
Director

AAH/mb

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

Tennessee Advisory Commission on Intergovernmental Relations

June 2004

AUDIT SCOPE

We have audited the Tennessee Advisory Commission on Intergovernmental Relations for the period July 1, 2001, through April 9, 2004. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of revenue, expenditures, equipment, payroll and personnel, and compliance with the Financial Integrity Act. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT FINDINGS

The audit report contains no findings.

**Financial and Compliance Audit
Tennessee Advisory Commission on
Intergovernmental Relations**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Post-Audit Authority	1
Background	1
AUDIT SCOPE	3
PRIOR AUDIT FINDINGS	3
OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS	3
Revenue	3
Expenditures	4
Equipment	5
Payroll and Personnel	5
Financial Integrity Act	6
APPENDIX	7
Allotment Code	7

Financial and Compliance Audit Tennessee Advisory Commission on Intergovernmental Relations

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Tennessee Advisory Commission on Intergovernmental Relations. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which requires the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

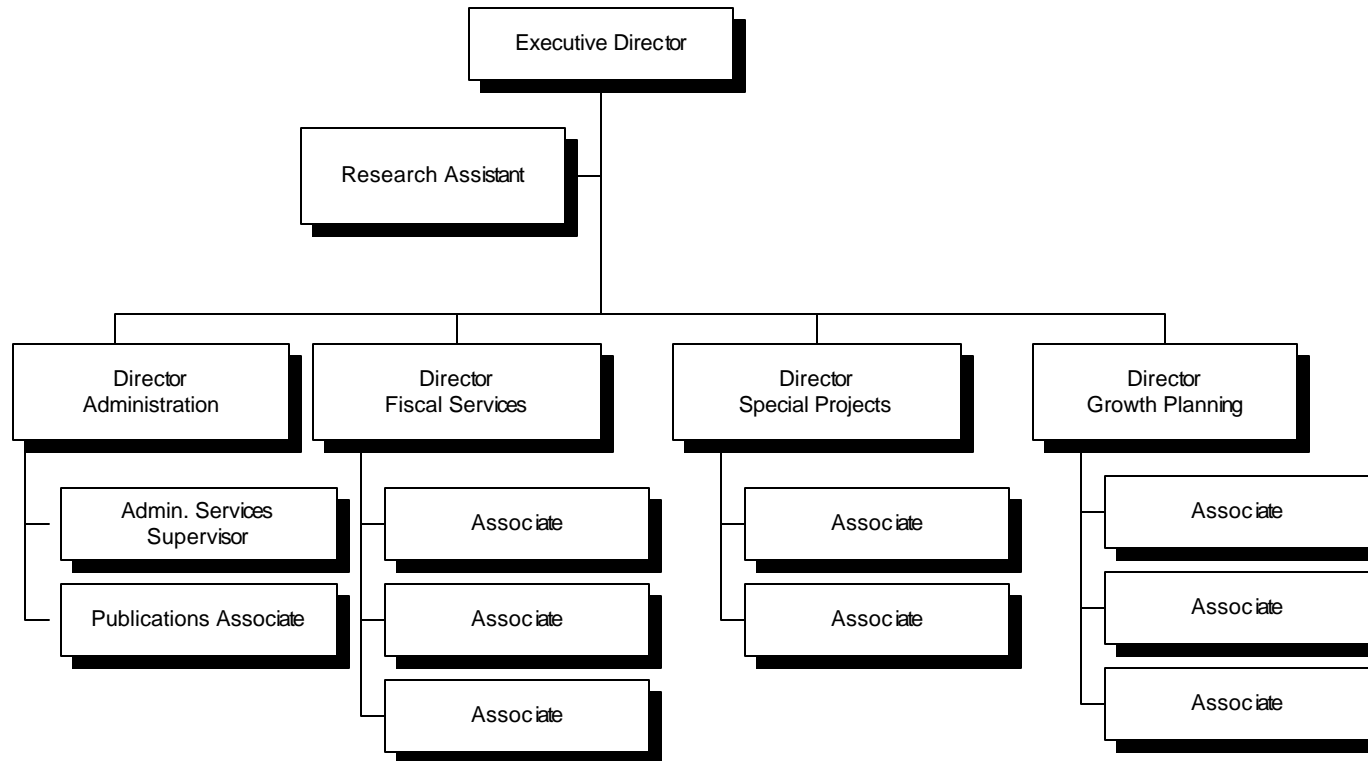
BACKGROUND

The Tennessee Advisory Commission on Intergovernmental Relations was created by the General Assembly in 1987 to monitor federal, state, and local governmental relations in Tennessee to make recommendations for their improvement. The commission serves as a forum for the discussion and resolution of intergovernmental problems.

The duties of the commission involve the study of problems related to the federal, state, and local intergovernmental system. The commission may initiate studies and make recommendations for the purpose of drafting and disseminating legislative proposals and constitutional amendments necessary to implement its recommendations.

An organization chart of the commission is on the following page.

Tennessee Advisory Commission on Intergovernmental Relations Organizational Chart



AUDIT SCOPE

We have audited the Tennessee Advisory Commission on Intergovernmental Relations for the period July 1, 2001, through April 9, 2004. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of revenue, expenditures, equipment, payroll and personnel, and compliance with the Financial Integrity Act. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

REVENUE

The objectives in reviewing revenue were to

- obtain and document an understanding of management controls relevant to the revenue process,
- obtain an extract of the commission's revenues using Audit Command Language (ACL) and analyze data for unusual activity using selected Computer Assisted Audit Techniques (CAATS),
- determine whether the petty cash fund has been authorized by the Department of Finance and Administration, and
- determine whether the commission's records are reconciled with the Department of Finance and Administration reports.

Key personnel were interviewed to gain an understanding of management's controls and the commission's policies and procedures over revenue. Supporting documentation for these procedures and controls was reviewed. Using ACL, an extract of the commission's revenue records was obtained, with data analyzed to identify unusual activity. Petty cash was counted and agreed to the

Department of Finance and Administration's authorizations. Budgets were reviewed and analytical procedures were performed to determine whether the commission's records reconciled with the Department of Finance and Administration.

Based on the interviews with key personnel, review of supporting documentation, and testwork, we determined that the commission did not have any unusual revenue items, petty cash funds were authorized, the commission's records reconciled with the Department of Finance and Administration reports, and management's controls over revenue appear proper.

EXPENDITURES

The objectives in reviewing expenditures were to

- obtain and document an understanding of management controls relevant to the expenditure process,
- determine whether expenditures for goods or services are authorized and in accordance with the budget and other regulations or requirements,
- obtain an extract of the commission's expenditures using Audit Command Language (ACL) and analyze data for unusual activity using selected Computer Assisted Audit Techniques,
- determine whether the commission's records were reconciled with Department of Finance and Administration reports,
- determine whether payments for travel were paid in accordance with the Comprehensive Travel Regulations,
- determine whether contracts were established in accordance with regulations, and
- determine whether contract payments are in compliance with contract terms and purchasing guidelines and were properly approved and recorded against the contract.

Key personnel were interviewed to gain an understanding of management's controls and the commission's policies and procedures over expenditures. Supporting documentation for these procedures and controls was reviewed and, using the extract obtained from ACL, a nonstatistical sample of expenditures for goods and services was tested for proper authorization and compliance with budget and applicable regulations. Budgets were reviewed and analytical procedures were performed to determine whether the commission's records reconciled with the Department of Finance and Administration.

Based on the interviews with key personnel, review of supporting documentation, and testwork, we determined that expenditures for goods and services were authorized and procured in accordance with applicable regulations and requirements, travel payments were paid in accordance with Comprehensive Travel Regulations, contract payments complied with contract terms and were properly

approved and recorded, and records were reconciled with Department of Finance and Administration reports.

EQUIPMENT

The objectives in reviewing equipment were to determine whether

- information on the Property of the State of Tennessee (POST) property listing is accurate;
- lost, stolen, and surplus equipment is properly reported to the Comptroller's office and is removed from the equipment listings; and
- property and equipment are adequately safeguarded.

Key personnel were interviewed to gain an understanding of management's controls and the commission's policies and procedures over equipment. Supporting documentation for these procedures and controls was reviewed, and nonstatistical samples of equipment from the POST equipment listing and the equipment purchases recorded on the State of Tennessee Accounting and Reporting System (STARS) were tested. For the equipment items tested that were purchased during the audit period, the cost recorded in POST was traced to supporting documentation. A nonstatistical sample of equipment items located in the offices was traced back to the POST listing for agreement to supporting documentation. A review of procedures was also performed for lost, stolen, and surplus equipment.

We determined that the information on the commission's equipment listed in POST was substantially accurate and complete. Equipment purchased during the audit period was properly recorded in POST. Also, we determined that lost, stolen, and surplus items had been properly removed from POST and that property and equipment were adequately safeguarded.

PAYROLL AND PERSONNEL

The objectives in reviewing payroll and personnel were to determine whether

- payroll disbursements were made only for work authorized and performed, and
- payroll was computed using rates and other factors in accordance with contracts and relevant laws and regulations.

Key personnel were interviewed to gain an understanding of management's controls and the commission's policies and procedures over payroll and personnel. Supporting documentation for these procedures and controls was reviewed, and nonstatistical samples of payroll and personnel transactions were tested to ensure that the information agreed with the employees' personnel files. Payroll transactions were tested for proper supporting documentation, approval, correct calculation in

accordance with contracts and relevant laws, and to ensure that disbursements were made only for work performed.

We determined that payroll calculations were proper and in accordance with applicable laws and procedures, and payroll disbursements were made only for work authorized and performed.

FINANCIAL INTEGRITY ACT

Section 9-18-104, *Tennessee Code Annotated*, requires the head of each executive agency to submit a letter acknowledging responsibility for maintaining the internal control system of the agency to the Commissioner of Finance and Administration and the Comptroller of the Treasury by June 30 each year. In addition, the head of each executive agency is required to conduct an evaluation of the agency's internal accounting and administrative control and submit a report by December 31, 1999, and December 31 of every fourth year thereafter.

The objectives were to determine whether

- the commission's June 30, 2003, 2002, and 2001, responsibility letters and December 31, 2003, internal accounting and administrative control report were filed in compliance with Section 9-18-104, *Tennessee Code Annotated*;
- documentation to support the commission's evaluation of its internal accounting and administrative control was properly maintained;
- procedures used in compiling information for the internal accounting and administrative control report were in accordance with the guidelines prescribed under Section 9-18-103, *Tennessee Code Annotated*; and
- corrective actions have been implemented for weaknesses identified in the report.

Key employees responsible for compiling information for the internal accounting and administrative control report were interviewed to gain an understanding of the commission's procedures. The June 30, 2003; June 30, 2002; and June 30, 2001, responsibility letters and the December 31, 2003, internal accounting and administrative control report were reviewed to determine whether they had been properly submitted to the Comptroller of the Treasury and the Department of Finance and Administration. To determine if corrective action plans had been implemented, we interviewed management and reviewed corrective action for the weaknesses identified in the report.

We determined that the Financial Integrity Act responsibility letters and internal accounting and administrative control report were submitted on time, support for the internal accounting and administrative control report was properly maintained, and procedures used were in compliance with *Tennessee Code Annotated*. Corrective actions have been taken on the weaknesses noted.

APPENDIX

ALLOTMENT CODE

The Tennessee Advisory Commission on Intergovernmental Relations' allotment code is 316.12.